

Cllr Geoff Barraclough
Westminster City Council
City Hall
64 Victoria Street
London
SW1E 6QP

5 March 2024

Dear Cllr Barraclough

Re: Planning Obligations and Affordable Housing SPD

I am writing on behalf of the WPA regarding the Planning Obligations and Affordable Housing SPD, having reviewed the final version which the City Council is adopting shortly. As you know, I raised WPA's concerns regarding the proposed carbon offset price of £880/t in my letter of 29 September last year, and we stand by the points raised at the time.

Whilst we appreciate the City Council has, through the introduction of the all-electric carbon offset discount to £330/t, spared the majority of development the extraordinarily high fee of £880/t, the price was pitched from an unrealistic and unviable base point, based on deeply flawed evidence.

We are fully aligned with the principle that the property industry has a clear responsibility to be part of the solution to the challenge of climate change in Westminster, and to continue to innovate in our practices and improve our building stock and the wider built environment. Indeed, the commercial property sector is leading the way in this regard.

In that context, we are concerned at the ever-increasing regulatory barriers with which industry is faced. These risk holding back the investment required to successfully decarbonise the built environment by adding significantly greater costs, risks and uncertainty to an already challenging planning process in Westminster.

We have previously documented the 75% fall in major planning applications in Westminster since 2016 and have shared with you and officers data which clearly demonstrates how neighbouring CAZ boroughs are delivering far greater levels of commercial space, in turn supporting social and economic prosperity in their local areas.

We reiterate that we do not consider the headline price of £880/t, from which the £330/t rate now proposed for electrical energy is derived, to be justified. The £880/t rate is based on the cost of deploying a certain type of renewable energy system, rather than the cost of offsetting carbon emissions, which is the ostensible purpose for which the Section 106 funding is being collected.

The reduction proposed, in turn, is based on the projected decline in the carbon intensity of grid supplied electricity. Whilst, in practice, we welcome this reduction, we are unclear how this relates either to the cost per ton of offsetting carbon or, indeed, the cost of deploying photovoltaics, on which the £880/t figure is based. Even at £330/t, the cost of carbon is still some way above the level that we consider would reflect the local cost of carbon offsetting, or indeed the price suggested by the Government.

For this policy to have any chance of delivering on our mutual objectives of addressing climate change it needs to support the investment required to fund improvements. We believe the council could help drive this forward through the adoption of the following three policy amendments:

1. Supporting deep retrofit

Retrofit and deep retrofit developments should not be charged carbon offset payments. Buildings in their existing condition are not subject to carbon offset payments. Significant investment will be required to retrofit them to reduce emissions further; this retrofit should not be discouraged by subjecting the remaining emissions, after retrofit, to an offset payment.

We understand that the City Council's intention is that offsets would be sought only from new buildings, but further confirmation of this would be welcome.

2. Incentivising low embodied carbon

Development proposals that achieve very low embodied carbon emissions, for example LETI 'B', for up front carbon, to align with emerging City Plan policy, should be subject to a lower carbon offset rate for their operational energy.

3. Incentivising renewable energy take-up

Where buildings are supplied by certified, net additional green electricity, via a Power Purchase Agreement, the carbon offset payment should be set at a nil rate as there is no carbon to offset.

Further technical details on these amendments are set out below for your consideration, and we would urge you to work with us and our members to explore options for how these could be implemented to support our mutual desire to support sustainable development.

Finally, transitional arrangements are also important in providing confidence to investors by creating a stable and predictable regulatory environment. It would be helpful if you could confirm that submitted applications that are currently being determined (and which have been developed and costed on the basis of a £95/t charge) will not be subject to the proposed revised rates.

We also seek confirmation that the City Council will **not** seek to apply the new charge retrospectively, for example where developments already have planning permission, but are being amended by a section 73 application. This can be a source of significant concern and risk in the implementation of existing permissions.

Thank you for your continued engagement with the industry on these important issues and I look forward to discussing these matters with you and officers at the earliest opportunity.

Yours sincerely



Charles Begley
Chief Executive, Westminster Property Association

cc. Stuart Love, Debbie Jackson, Deirdra Armsby, Ezra Wallace; Westminster City Council

WPA THREE KEY RECOMMENDATIONS

1. Supporting Deep Retrofit

We both share a desire to ensure that the planning policy framework encourages, rather than prevents, the sustainable retrofit of buildings. The forthcoming Early Review of the City Plan will provide further opportunities to support this. Deeper retrofit of buildings – as opposed to internal refurbishment – should lead to greater reductions in operational carbon emissions. However, more extensive works will, generally, require planning permission. Our concern is that the high carbon offset tariff that could then be applied to those deep retrofit projects, because planning permission is needed, alongside the complexities and time cost associated with planning, will discourage investors from undertaking them, and encourage them to take a ‘do minimum’ approach instead.

It is vital that flexibility is applied in these circumstances. Policy should unambiguously confirm that only emissions arising from **new** buildings will be considered when establishing the offset payable and that emissions from retrofitted / refurbished floorspace will not be subject to the charge. Otherwise, the incentive will be to leave existing buildings as they are, rather than undertake extensive works to reduce carbon emissions if, in doing so, the residual emissions would then be subject to this high offset charge. We do not believe this to be the City Council’s intention, but any further clarity on this point would be welcome.

2. Incentivising low embodied carbon

Where development achieves a very low level of upfront embodied carbon (A1-A5), for example LETI ‘B’ or lower, or, in the future, alternatives such as the Net Zero Carbon Building Standard, the development should be eligible for a lower carbon offset charge. We suggest this should remain at £95/t. This would provide a powerful incentive to encourage retrofit and reflect the whole life carbon impacts of low embodied carbon development.

3. Incentivising renewable energy take-up

Power Purchase Agreements allow landowners to accountably source their electricity from providers of renewable energy, including supporting the delivery of additional renewable generating capacity. Where landowners commit to sourcing certified, additional renewable energy for the operation of their buildings, to achieve net zero, this should be taken into account in assessing any carbon offset contribution. At the moment, this does not happen and as a result there is no incentive in the planning system to invest in securing green energy supplies for buildings. This strikes us as a missed opportunity to drive investment in green electricity supplies.

Ends